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Venezuela: Building a Socialist Communal Economy?

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In 2005, Chavez declared that the Bolivarian Revolution was building “socialism for the 21st century.” Almost a decade later, however, the economy remains dominated by a parasitic capitalist sector which obstructs efforts to build alternative socio-productive relations. In avoiding a head-on confrontation with the bourgeoisie, the government is experimenting with the introduction of a parallel communal economy in which the social product is communally owned and invested on improvements to the habitat and wellbeing of the poor Venezuelan majority. This explains the strategic importance of the Communal Economic System (CES), as the principal vehicle for the introduction of socialist relations of production in the Venezuelan economy. The article discusses the challenges facing the development of the CES, based on my experience of working with the Vice Ministry of the Communal Economy, the institution responsible for fostering and regulating that system. Among Venezuelan government teams there is interest in Ernesto Che Guevara’s contribution to the transition to socialism in Cuba. While Guevara’s methodological and theoretical approach to socialist political economy can serve as guides to action, in Venezuela its potential is blunted by the lack of state control over the economy and socialisation of the means of production.

Keywords: Venezuela; Bolivarian Revolution; communal economy; socialism; Ernesto Che Guevara

In autumn 2013, I spent time in Venezuela at the invitation of the Ministry of Communes and Social Movements. Mostly I worked with the Vice Ministry of the Communal Economy (VMCE), which is responsible for stimulating production and services within grassroots communities to complement their political organisation through communal councils and communes. These “socio-productive” units are organised under the Communal Economic System (CES) (*Sistema Económico Comunal*). Having read my book about Che Guevara’s work in revolutionary Cuba as Minister of Industries and his contribution to socialist political economy debates, the VMCE was interested in discussing whether elements of Guevara’s Budgetary Finance System of economic management could serve as useful tools in the CES and other areas of the Venezuelan economy.¹ This brief but intense visit provided me with an insight into the complicated processes underway in the country. It also strengthened my appreciation of the intellectual and practical battles fought in the earlier stages of Cuba’s transition to socialism, confronting similar problems to those in contemporary Venezuela.

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¹See Yaffe (2009). The *compañeros* of the VMCE read the Spanish edition published in Cuba as *Che Guevara: Economía en Revolución* in 2012. A Venezuelan edition is due for publication in autumn 2014. The book has also been published in South Korea, Indonesia and Turkey.

There were two aspects to my participation. First, at ministries, universities, and to community and political organisations, I gave presentations about Guevara's Budgetary Finance System. On some occasions I was asked to focus on Guevara's analysis and policies in specific areas, such as education, training and the role of salaries, or science, technology and innovation. Second, I engaged in internal discussions about legal and policy documents previously sent to me.² The VMCE management team sought to relate Guevara's approach to the issues raised in those documents. Discussions were organised according to the following themes: (1) the centralisation of the administration and budgeting of finances; (2) "Economic Calculus" versus the Budgetary Finance System; (3) education and training in the new productive economic model; (4) a management model—the significance of social property for the management of the state, producers and popular power; (5) reinvestment of the social surplus; and (6) moral and material incentives. The themes are fundamental concerns for the transition to socialist relations of production generally but they are also specific issues confronting the development of the CES in Venezuela.

Endeavouring to apply a theoretical and historical understanding of Guevara's approach to socialist transition in early 1960s Cuba to a dramatically different reality in Venezuela today was challenging. The economic, political and international conditions are distinct from those that generated—and resulted from—the Cuban Revolution. Despite the obvious differences, in broad terms the countries share historical socio-economic and political characteristics. Like 1950s Cuba, Venezuela can be described as having an unbalanced trade-dependent economy dominated by foreign interests, principally from the United States. While Venezuela is far more developed than Cuba (of the 1950s and of today) in technological and infrastructural terms, the domination by foreign interests of the oil industry (as with Cuba's sugar industry pre-1960) and a form of "Dutch disease"³ had led to endemic unemployment, poverty and inequality. While the revolution in Cuba dismantled the old system and swept away its representatives, creating new institutions, new power structures and new social relations, the Venezuelan electoral system has brought forward a radically new government, but not an entirely new state or social relations. In his important cabinet address published as "*Golpe de Timón*," shortly after his 2012 presidential election victory, Chavez (2012, 13) said: "It always has to be this way: first the political revolution, political liberation and after comes the economic revolution." He insisted on the need to make advances in the creation of a productive socialist economy in the "new stage" commencing after the election. The "Bolivarian" government has declared its intention to build "socialism of the 21st century" and, regardless of the deliberate differentiation from previous socialisms implied by the label, this endeavour makes the Cuban experience and Guevara's approach to the political economy of the transition to socialism worth consideration.⁴

²These documents were: (1) *The Organic Law of the Communal Economic System (Ley Orgánica del Sistema Económico Comunal)*, 2010; (2) *Bolivarian Socialist Management 2013–2019*, known as *Homeland Programme: Bolivarian Socialist Management 2013–2019 (Programa de la Patria: Para la Gestión Bolivariana Socialista 2013–2019)*, published in June, 2012; (3) *Proposal for a New Financial Architecture for the CES (Propuesta para una Nueva Arquitectura Financiera del SEC)*, a VMCE draft policy document, 2013; (4) *Antimanual of the Communal Economic System (Antimanual del Sistema Económico Comunal)*, a VMCE draft document providing an overview of the organisational and theoretical aspects of the CES, 2013; (5) Partial regulation article on the CES printed in the *Official Gazette (Gaceta Oficial)*, 2012. All quotes from Spanish-language texts are my own translations.

³"Dutch disease" describes the situation when the exploitation of natural resources, or any other source of increased (foreign exchange) revenues, increases the strength of the national currency relative to other currencies. The consequent lack of competitiveness in the manufacturing or agricultural sector leads to a decline in those areas and the economy becomes increasingly dependent on the natural resource.

⁴Likewise, the experiences of all those countries which have endeavoured to build socialism.

The challenge is to strip away the different particular circumstances to address the core questions:

- (1) What are the capitalist laws of motion?
- (2) Where and why do they operate (in Venezuela)?
- (3) How can they be made redundant?
- (4) With what should they be replaced?
- (5) Which policies and measures can be adopted to facilitate this process?
- (6) What will be the consequences for the new society being built?

This is not easy given that Marxism, if it is to be a living and revolutionary method, must be concrete. Concrete conditions must determine the approach taken to analysing and changing reality. This is the essence of “praxis.” Guevara’s contribution in Cuba was decisive and impressive precisely because of his capacity to devise practical policies, which were appropriate to Cuba’s concrete conditions and operated within a Marxist theoretical framework. For Guevara, the problem of socialist transition was how to achieve economic development with equity from a position of underdevelopment without relying on capitalist methods that would undermine the collective consciousness and the new social relations necessary for socialism and later communism.⁵

This article does not claim to present a solution to the problem of building “socialism of the 21st century,” nor to present an economic history of Venezuela or predict its future. The purpose is to discuss the issues that were encountered through my work with the VMCE—just one state institution among many. It is not claimed that that experience was representative; it was influenced by the focus and political and ideological commitments of the *compañeros* (as socialists and communists) of the VMCE. It is important to recognise that within the government, and the governing United Socialist Party of Venezuela (*Partido Socialista Unido de Venezuela*, PSUV), there are significant conflicts and contradictions representing different political agendas and interests. Nonetheless, given the strategic importance of the CES in the endeavour to introduce socialist forms of production to Venezuela, there are lessons and implications that merit careful analysis. Clearly, as my invitation confirms, Venezuelan government teams are interested in, and influenced by, the experience of socialist transition in Cuba and Guevara’s revolutionary Marxism, so it is important to understand what this implies for the process.⁶

1. Che Guevara: The Economics of Revolution

Che Guevara was head of the Department of Industrialisation and president of the Cuban National Bank in 1960 when all financial institutions and 84% of industry in Cuba were nationalised. His Budgetary Finance System (BFS) emerged as a practical solution to daily problems thrown up by the transition from private to *state* ownership of industrial production. The production units that passed under the Department of Industrialisation’s jurisdiction ranged from artisan workshops to sophisticated energy plants. Many faced bankruptcy while others were highly profitable. Guevara’s solution was twofold: first, to group entities of similar lines of production into centralised administrative bodies called consolidated enterprises. This allowed the department to control the allocation of scarce administrative and technical personnel following the exodus of 65–75% of

⁵It is important to distinguish between two stages which are often conflated: the transition *from* capitalism to socialism, and the transition *from* socialism to communism.

⁶Such interest is not new. Dr Orlando Borrego, deputy to Guevara between 1959 and 1965, has had a close relationship with Chavez and the leadership of the Bolivarian Revolution for over a decade.

managers, technicians and engineers after 1959. Second, he proposed to centralise the finances of all the production units into one bank account for the payment of salaries, to control investment and sustain production in essential industries that lacked financial resources. With the establishment of the Ministry of Industries in February 1961, the BFS evolved into a comprehensive apparatus that embedded these organisational structures within a Marxist theoretical framework, to foster Cuba's industrialisation, increase productivity and institutionalise collective management. My book (Yaffe 2009) details the policies developed and how they relate to the overriding objective of undermining and displacing the operation of the law of value in the socialist transition period.⁷

Central to the BFS was Guevara's opposition to relying on capitalist mechanisms, conceding to the operation of the law of value to determine production and consumption. The dispute about the law of value in "transition economies" is at the heart of the question about the feasibility of constructing socialism in a country without a fully developed capitalist mode of production, where development has been stunted by imperialist exploitation. The debate is integral to the problems of production, distribution, investment and social relations. The notion of an eventual communist stage of social development requires a highly productive society in which the political conditions already exist for social production to be directed towards the needs of the masses. "From each according to his ability, to each according to his needs" (Marx 1875, 11)—the essence of communism—implies that socialism has already been constructed and that the "market mechanism" has been largely displaced as a rationing mechanism in society. Communism should permanently block the reappearance of the law of value.

However, those countries that have experimented with socialism have lacked (and been deprived of by imperialist aggression) the necessary productive base to complete the process and so create the material abundance necessary to facilitate the transition to communism. Under such underdeveloped or economically frustrated conditions, the problem of how to organise and direct the use of the social product is fundamentally shaped by the problem of underdevelopment and scarcity. The questions for socialist transition economies are how far they are from the point where work is remunerated on the basis of need, why, and how they should strive to move towards a "communist" society. One answer which (re)emerged in the socialist bloc by the 1950s was to utilise methods of production and distribution that allowed the operation of the law of value through spontaneous and centrally unregulated processes of exchange with the aim of hastening the development of the productive forces.⁸ This urgent material concern was seen as a precondition to developing a socialist consciousness.

Guevara warned that depending on the law of value to foster development would jeopardise the creation of a collective consciousness in the transition to socialism, and undermine the conditions necessary for a future transition from socialism to communism. He said:

A socialist economy without communist moral values does not interest me. We fight poverty but we also fight alienation. One of the fundamental aims of Marxism is to eliminate material interest, the factor of "individual self-interest" and profit from man's psychological motivations. Marx was

⁷The analysis is organised into the following areas: education, training and salaries; administrative control, supervision and investment; collectivising production and workers' participation; science and technology; consciousness and psychology. There are two theoretical chapters: one analysing the "Great Debate" of 1963–65 about which economic management system was appropriate to Cuba in the transition to socialism and the other synthesising Guevara's critique of the *Soviet Manual of Political Economy*. There are also chapters on Guevara's role in Cuba's revolutionary consolidation, the emergence of the BFS and Guevara's legacy.

⁸Market mechanisms were adopted in the USSR between 1921 and 1928 under the New Economic Policy introduced by Lenin. However, even after the end of this system, similar methods continued to exist in a latent form gaining strength in the socialist bloc in the post-Stalin era.

concerned with both economic facts and their reflection in the mind, which he called a “fact of consciousness.” If communism neglects facts of consciousness, it can serve as a method of distribution but it will no longer express revolutionary moral values. (Quoted in Tablada 1990, 77)⁹

For Guevara, socialism was a phenomenon of productivity and consciousness. He insisted that socialist countries find alternative levers to develop their productive forces, such as the national plan, investment in research and technology, administrative mechanisms and socialist consciousness itself (Yaffe 2009). The BFS was the expression of Guevara’s search for an apparatus to increase productive capacity and labour productivity without relying on capitalist mechanisms, which undermine the formation of new consciousness and social relations integral to communism.

Given that Guevara’s BFS was based on state control of the means of production and the centralisation of administration and finances, its relevance for the Venezuelan CES, which was set up to promote “communal production” formally independent of the state, can be questioned. Additionally, the BFS was developed in response to particular challenges; blanket copying (even in Cuba today) would contradict the dialectical methodology Guevara applied. However, there are a set of principles and a methodology of enduring relevance.

(1) Finances should be centrally controlled; enterprises operate with a budget and hold no independent funds. Money serves as a means of account, a price reflection of an enterprise’s performance, not as means of payment or as a form of financial compulsion. There is no credit or interest but only planned investment directed by the state according to the national development strategy.

(2) The socialist economy functions as one big factory. There are no financial relations or commodity exchange between state-owned enterprises because there is no change in ownership when products are transferred between them.

(3) Education, training and salary structures foster a concept of work as a social duty, de-commodifying labour. Education must be linked to production and self-improvement to economic development.

(4) The law of value on the one hand, and the plan on the other, give expression to two contradictory and antagonistic forms of social organisation of production and distribution. Planning allows the conscious organisation of the national economy in pursuit of political objectives. The plan must be democratically formulated by workers, but its fulfilment is ensured by a system of supervision, inspection and economic analysis in real time, inventory controls and annual reports. These are elements of “administrative control,” an alternative to the financial control applied under the Soviet economic management system. Administrative mechanisms, combined with appeals to consciousness, are the main levers for increasing efficiency.

(5) Lowering production costs, not the profit motive, is the key to increasing productivity.

(6) Advanced technology and management techniques should be adapted from capitalist corporations as appropriate without fear of “ideological contamination”; prepare for technological advances while struggling to overcome backwardness.

(7) Flexibility is necessary in decentralising without losing control and centralising without curbing initiative. Tapping into the creative energy of workers to solve daily production problems, encouraging “learning by doing” and promoting the view that commitment to production is a revolutionary act.

⁹“If *communism* neglects . . .” Guevara is clearly referring to the so-called “communist countries,” he is not contemplating the idea that communism could be reached without a new consciousness developing along with new social relations.

(8) As the collective owners of the means of production, workers must appropriate the production process determining the plan and developing the productive forces. This is essential to transform the social system, so that surplus products no longer appear as privately appropriated surplus value, obtained via the market exchange mechanism (capitalism), but are directly allocated through democratic decisions, to meet directly identified needs (socialism).

(9) Under capitalism, competition for profits constantly revolutionises the productive forces. Socialist society must foster the application of science and technology to production without the profit motive. Research institutes should work closely with ministries, enterprises and student faculties.

(10) Development strategy should focus on the full chain of production, from raw materials to electronics and automation.

(11) There is a dialectical relationship between consciousness and production. Incentives are the key to raising productivity and efficiency. However, material incentives should gradually be replaced by moral incentives and the concept of work as a social duty, replacing alienation and antagonism with integration and solidarity.

(12) Create forums for criticism and open debate. Leaders must be responsible and accountable. Work with technical experts regardless of their political affiliations, harnessing their expertise in the interests of socialist production and integrating them into the revolutionary process.

While these principles are arguably relevant to any socialist transition process, the current domination by the private sector in Venezuela obstructs their meaningful application.

2. The Challenge of Building Socialism in Venezuela

Chavez summed up the challenge of building socialism in Venezuela in one poignant sentence in the foreword to the 2012 *Homeland Programme*: “Let us not be deceived: the socioeconomic formation that still prevails in Venezuela is of a capitalist, rentist character” (Republica Bolivariana de Venezuela 2012b, 2). The current situation is one of dual power, where the government controls the state oil company PDVSA (Petroleum of Venezuela, S.A., and through it the oil industry), but beyond that, state ownership of economic resources, and productive activity itself, is limited.

The banking system is predominantly in private hands: 65.6% of public deposits are held in private banks; 37.6% by just three private banks (Caicedo 2014, 5), and “the oil rent passes through bourgeois financial institutions before being re-distributed.”¹⁰ All Venezuela’s private banks were initially established with foreign capital (Caicedo 2014, 3). Private interests control 75.2% of the financial sector, 92% of manufacturing production and 39% of communications in general,¹¹ but 70% of the media (BBC 2012). While 70% of the population own land, a consequence of government programmes to grant land titles,¹² the majority of the land remains the property of a small elite. The Venezuelan bourgeoisie remains entrenched and has benefited from the policies of the Bolivarian government.

Between 2002 and 2012, financial and insurance institutions experienced accumulated growth of 370% (Caicedo 2014, 2). Banks have increased their credit portfolios, not necessarily with

¹⁰This is from the personal discussion with Ana Maldonado in September of 2013. Ana Maldonado was Vice Minister of the Communal Economy during my trip. She subsequently transferred to work in the Great Mission Knowledge and Work Venezuela (*Gran Misión Saber y Trabajo Venezuela*).

¹¹According to the Central Bank of Venezuela’s 2012 GDP calculations.

¹²Personal communication from Jesus Castro, Statistical Director, VMCE, on May 5, 2014.

productive investments, boosting domestic consumption and leading to an increase in trade, telecommunications, banks and services. Consequently, “the economy continues to be based on rent, not productive work” (Caicedo 2014, 3). Public expenditure has not sufficiently promoted production. Venezuelan economist Manuel Sutherland (2013, 1) states that, “The result of the expansion of public expenditure, accompanied with the production weakness and massive overvaluation of our currency, is a grotesque import growth at all levels.” Between 2003 and 2012, imports grew by 454% while exports increased 257% (including oil-price rises) (Sutherland 2013, 1).

In 2011, 98% of foreign exchange was generated by the state sector, compared to just 2% (US\$2 billion) earned by the private sector. However, in the same year the private sector spent US\$40 billion on imports, 20 times more than their export earnings—up from 2003, when the value of their imports was three times their export earnings (Sutherland 2013, 2). This reflects “a drastic worsening of the country’s productive situation and clearly shows the solidification of the parasitic, unproductive and inefficient role of the local importing-business sector” (2). The disproportion between the private sector’s hard currency earnings and expenditure is only possible because the government, which controls foreign exchange, transfers US\$40 billion annually to that sector at preferential government rates: five times cheaper than on the parallel market in 2013. Sutherland explains: “our entrepreneurs have no globally competitive potential and their main activity is the passive absorption of oil revenues, through the importation of merchandise based on overvalued currency” (2). Exchange controls were introduced in 2003 to halt capital flight. Between then and 2012 the Venezuela state has sold US\$317 billion dollars (at official prices) to foreign and Venezuelan private businesses operating in the country (3). Instead of taking advantage of the over-evaluation of the Bolivar to purchase machines and equipment for productive investments, they have created a cycle of importing cheap commodities and reselling them at inflated prices—speculating—or even importing empty boxes and keeping the US dollars for resale at spiralling prices on the parallel market. Conservative estimates calculate that the Venezuelan elite have deposited more than US\$145 billion overseas between 2003 and 2012. The government’s international foreign exchange reserves have fallen from US\$12 billion in 1997 to US\$3 billion in 2013 (3).¹³

The government has used its oil revenue to fund popular social welfare (and empowerment) programmes. Popular support has allowed the Bolivarian government, on the whole, to set the political agenda.¹⁴ There has long been recognition of the need to change the fundamental characteristics of the Venezuelan economy if the Bolivarian Revolution is to advance; in the words of Sutherland, “to stop procrastinating in the true socialist revolution which we must impel” (2013, 5).

According to the *Homeland Programme*, the official aim of the Bolivarian government is to: “Insert new productive schemes tending to socialism that will radiate out in their environment new relations of production and exchange that are complementary and give solidarity” (Republica Bolivariana de Venezuela 2012b, 19). This is a vision, not a prescription. What is to be done? That is the debate underway in Venezuela. Arguably, there are three broad options:

(1) Continue state/communal production and services, with a degree of planning, at the margins of the economy in coexistence with the dominant private sector. How sustainable is this coexistence?

(2) Encroach upon the capitalist sector through political action? Guevara said:

¹³However, an estimated 70% of Venezuela’s international reserves are held in gold.

¹⁴In February 2014, the right-wing opposition initiated a renewed attempt to reset the political agenda by instigating violent protests and disturbances in the streets.

The characteristics of the period of transition are those of a society that is throwing off its old bonds in order to move quickly into the new stage. The *tendency* should be, in our opinion, to eliminate as fast as possible the old categories, including the market, money, and, therefore, material interest—or, better, to **eliminate the conditions for their existence**. (Guevara 1971b, 142; emphasis added)

In Venezuela this would mean the expropriation, nationalisation and socialisation of the means of production beyond the PDVSA.

(3) Compete with and overtake capitalist production/relations (“radiating out”). Achieving this implies raising productivity in the state and communal sector above that of the private sector. How can this be achieved whilst prioritising human welfare and sustainable development?

The CES is an expression of the attempt to take this third approach. The Bolivarian government has not been prepared for (or concluded the necessity of) a head-on confrontation—with the potentially violent class struggle that entails. Instead of dismantling the old apparatus and infrastructure of capitalism, it has attempted to build a parallel apparatus to create an alternative system of social-relations, production, distribution and political power. The capitalist class itself is losing patience with “coexistence” and has been waging an economic war to destabilise the Bolivarian government. This in turn is bolstering the socialist-revolutionary wing within the government and the Bolivarian movement, which advocates political action against the capitalist sector; including the nationalisation of the banking system, centralisation of foreign trade and initiating a massive state industrialisation plan (see, for example, Caicedo 2014, and Sutherland 2013).¹⁵ In autumn 2013, President Maduro announced an “economic offensive” to combat the hoarding, speculation and price rises which are the principal armaments of the bourgeoisie’s economic war.¹⁶

There are moves both to strengthen planning and organisation, and to expand state and communal ownership. A VMCE document *Premises for the Economic Offensive* proposed a strategy to combat these problems. It began by highlighting weaknesses in the current approach:¹⁷

We respond to the bourgeoisie’s illegal extraction with emergency imports; we confront the economic slowdown in its final distribution and allocation stages. It is necessary to deal with paralysis in the

¹⁵The *Centro de Investigación y Formación Obrera* CIFO-ALEM, where Sutherland and Caicedo work, advocates such measures (www.alemciso.org).

The basic way to stop the bleeding of foreign exchange and the dramatic devaluation-inflation spiral, is to create a Single State Importation Centre (CEUI) that snatches the speculative field of the parasitic speculative-importing Venezuelan bourgeoisie ... The CEUI would seek to centralise in one state entity all the countries imports that depend on dollars which are dispensed by the state. (Sutherland 2013, 7–8)

The fusion of all the banks into one national bank, without this implying the expropriation of the money kept in the banks, but with the modification of the property relations of the banks acquired by the state. Members of *Centro de Investigación y Formación Obrera* (CIFO) advocate nationalisation of the banks ... accompanied by a comprehensive policy in political economy, that is, planning, taxes, exchange rate, credit, a Single State Importation Centre (CEUI), creating a massive state industrialisation plan, improving expropriated factories and using the land to obtain economies of scale. (Caicedo 2014, 6)

¹⁶The popularity of that move was reflected in improved election results for the United Socialist Party of Venezuela in the December 2013 municipal elections. The opposition’s response was seen in the explosion of violent protest which began in February 2014, resulting in the death of dozens of Venezuelans, with calls by the protest organisers for regime change and even US intervention.

¹⁷On page 3 of *Premises for the Economic Offensive* (in Spanish), a document not formally published, which exists as an internal document of the VMCE in Caracas.

production process; on the issue of inflation we respond with reflections about prices, rather than seeing inflation as part of an economic war: speculation, shortages and hoarding; we respond to supply shortages with supplementary supplies. ...

The document outlined steps to be taken in the “new stage” introduced by Chavez in October 2012.¹⁸ Those include: developing a new productive economy—creating and strengthening the communal economic system; organising the new, productive economy according to the productive capacity and potential of the municipalities and with new social relations of production; developing a method for establishing national production costs that is not distorted by import prices—“as an importing economy we have always taken the benchmark of import price”; purchasing imports directly and in large quantities in a centralised way.¹⁹ The document then proposes measures to be taken in the areas of production, distribution and “commercialisation” within the CES.

In autumn 2013, a government “subcommission for the promotion of the productive economy of the communes” was set up for vice ministers and directors from institutions related directly to the economy and production. The VMCE was the coordinating body and I attended the second weekly meeting. The then Vice Minister Ana Maldonado gave an overview of how communal production is being obstructed, or made excessively expensive, by the private sector. Other participants discussed possible collaboration to confront such hurdles. The question is whether these obstacles can be overcome by fostering a parallel economy, under communal and state ownership, or whether it necessitates political action against the capitalist sector. The third weekly meeting was cancelled, however, as the vice ministers were enrolled to participate in the second round of “street governments” (*gobierno de la calle*) in the run-up to the local elections.²⁰ The imperative of gaining control over the economy was postponed by the call for direct interaction of the leadership with the population. Such communication is important, but the daily work of organising and resolving problems must also be a priority.

3. The Communal Economic System

The CES was set up to foster and regulate the socio-productive activity within the organised communities in Venezuela. The principal productive unit is the Enterprise of Social Property (ESP) (*Empresa de Propiedad Social*), but it also includes the Family Production Unit (*Unidad Productiva Familiar*) and Solidarity Exchange Groups (*Grupos de Intercambio Solidario*).²¹

There are two forms of ESP, one is “direct” social property—which means that the community (*poder popular*) in which they are established owns, as well as manages, the means of production. The other is “indirect” social property, where a public authority (*poder publico*), the VMCE or another public institution, owns the means of production, but the workers manage it. These tend to be larger and more strategic units of production. However, the intention is that as the workers’ capacity and commitment increase they will be transferred under ownership of the community, becoming enterprises of “direct” social property. In both forms of ESP, the producers elect

¹⁸On page 4 of *Premises for the Economic Offensive* (in Spanish), a document not formally published, which exists as an internal document of the VMCE in Caracas.

¹⁹In December 2013, a new National Centre for Foreign Trade and a Corporation for Foreign Trade were established to manage imports and exports through state enterprises in order to tackle this issue.

²⁰I had been due to present on Che Guevara’s BFS and Cuba’s socialist transition.

²¹Solidarity Exchange Groups are basically monthly markets of small, predominantly agricultural, producers. In autumn 2013, there were 14 groups and four more being established. These are not productive units, but units of exchange. They are discussed below in relation to the issue of “communal money.”

“spokespersons” to administrative positions from among themselves on a two year rotational basis, so that all the workers have the opportunity to develop managerial, organisational and accounting, as well as productive or manual skills. These administrative workers continue to participate in the productive process as necessary.

The surplus (*excedente*) produced is owned by the community that established the ESP, not just by the workers. Once production costs and expenses have been covered, the ESP must divide any surplus into three different funds: productive maintenance (to which is allocated 70%), attention to the producer and consumer (20%), and social reinvestment (10%). The community, not just the producers, determines how to invest these funds (examples below). They do this through the Citizens’ Assemblies. In autumn 2013, there were 104 ESPs functioning and 72 in the process of being established. However, only around 10% of the ESPs were making a surplus.

The ESPs may be on the periphery of national production, but they are recipients of huge government funds: between 2008 and 2011, nearly US\$1 billion funding was allocated to community enterprises by the Ministry of Communes.²² According to Maldonado, “much of this was consumed by the capitalist sector,”²³ over-charging and obstructing production, so that 90% of those enterprises did not fulfil their productive objectives. In 2012, the work of the VMCE was incorporated into the Great Mission Knowledge and Work Venezuela (*Gran Misión Saber y Trabajo Venezuela*), changed its financing method and consolidated the CES.

The ESPs face numerous challenges and obstacles. However, those which I visited reminded me of state or cooperative workplaces in Cuba. The workers, who were all previously unemployed, were clearly proud of their productive contribution and democratic management. They were all poor, inevitably, because the productive units are established in poor neighbourhoods and employ local residents. As Francisco Durán, Vice Minister of Science, Technology and Innovation pointed out, a corollary of the endemic unemployment in Venezuela’s oil-dependent economy is that there is “no culture or experience of work.”²⁴ The CES involves a profoundly cultural, as well as productive, challenge.

Two “indirect” ESPs I visited in Guarenas, 45-minutes’ drive outside Caracas, were a carpenters and an ironworks, both producing for the Housing Mission. The ESPs shared a large warehouse that had previously been empty for 30 years. In both enterprises the workers’ employment began with three months of training on site. They have seen the fruits of their labour as new homes have been erected in their own neighbourhood. There were 32 carpenters, a half of them women, and including disabled workers (more on the carpenters below). There were 24 people employed in the ironworks, mostly young men with a few women. They produce iron doors for houses built under the Housing Mission. They were proud to have repaid their initial start-up credit and had generated sufficient surplus to purchase specially-adapted machinery to increase their productivity. In discussion with the Vice Minister, they explained their intention to import this equipment from China, but ministry personnel believed that similar equipment was sitting unused in another ESP in central Venezuela. The VMCE arranged for the ironworks representatives to visit the other factory the following day. The machinery turned out to be unsuitable so the purchase from China went ahead. The point, however, was that the lack of centralised information sharing or planning, including inventory controls, makes the rational allocation of resources within the CES (and likewise the state sector) impossible. The freedom of the ESP to conduct

²²As a comparison: in 2012, around 40% of the state budget, nearly US\$28 billion, was allocated to social spending.

²³Personal communication in September 2013.

²⁴Comments following my presentation to Ministry directors on October 8, 2013.

international trade independently, without authorisation, is as likely to result in chaos and waste as it is to be efficient.

Among the “direct” ESPs is a communal minibus service (*ruta communal*) run by Las Torres communal council in the Caracas barrio Antimano. Set up with government support, Las Torres community now owns 17 minibuses for transporting locals up and down the mountain at prices well below those charged by the private companies. This service employs 30 locals. Since 2008, with government support in resources and technical experts, the community has constructed a new concrete road, over 100 houses and other social facilities such as a playground, which I saw during my visit.²⁵ The community was improving the medical clinic run by Cuban doctors and had plans to build a small community school. The construction of additional social facilities had been funded with the surplus earned from the communal minibus service. A good portable drinking water service had been established. The community’s own ironworks and brickyard produce construction materials. The ironworks employed three locals and the other construction teams employed 36, but this was set to rise to 70 with new projects underway and more residents incorporated into the community’s socio-productive system. Work has started on the construction of another ESP, a workshop to make household products like detergents and soaps, to employ an additional 15 locals.

Many of the ESPs produce components for the Great Housing Mission Venezuela (*Gran Misión Vivienda Venezuela*), which aims to construct three million new houses between 2012 and 2019.²⁶ ESPs are responsible for producing 26% of the concrete blocks used in the Housing Mission, 23% of the beds, 15% of the windows, 33% of the industrial overalls, and 24% of gloves.²⁷ However, the private businesses that transport or produce materials needed for the housing construction process charge exorbitant prices. Through this means the private sector booms while obstructing state and social production. The state is obliged to pay several times over the production cost because it does not own the full chain of production.²⁸

The *Premises* document cites an example of the market undermining the plan that I observed at the carpenter’s in Guarena. They have a contract to produce 45,000 pallets to supply an enterprise producing concrete blocks for the Housing Mission. However, production has been paralysed due to the lack of coil gun nails. The private company, Alambricos Venezolanos CA, which supplied the ESP with the nails first raised prices and then claimed it could not get hold of the wire necessary to produce them. The ESP took steps to import the nails directly from Colombia, to avoid paying exorbitant prices to private sector importers. We discussed the problem with this solution, and with dependence on capitalist enterprises in general in a situation of class war; the profit motive can be subjugated to the political objective of sabotaging the Bolivarian Revolution. The nails themselves are produced with a simple machine. The carpenters discussed importing the machine and producing the nails themselves. An investigation was immediately launched which found that the private company was hoarding nails. They lied about the lack of supply in order to paralyse production in the ESP. The company was fined for manipulating prices and supply. Arguably,

²⁵Las Torres had 109 “ranchos,” precarious homes made from slim wooden planks, many of them donated by the Coca Cola Corporation. Since 2008, the community itself had built 108 new homes from scratch with more under construction. The National Land Institute evaluates safety and conditions on the site of each construction. Each new concrete house has three bedrooms, a sitting room, kitchen and a bathroom.

²⁶Given that the average family size in Venezuela is 5.28, this amounts to the provision of new homes for more than a half of Venezuela’s nearly 30 million people.

²⁷On page 16 of *Premises for the Economic Offensive* (in Spanish), a document not formally published, which exists as an internal document of the VMCE in Caracas.

²⁸In an interview by CNN, Maduro revealed that “in November, December [2013], we’ve found prices that were up 2000% . . . this happened not in one product, but in the whole of the economy . . . inflation has been used as a political strategy to harm the economy and then to destroy, to unravel, a new model that has been created, a new model of society, of economy” (Maduro and Amanpour 2014).

however, the fine was an insufficient deterrent given the scale and consequences of such economic sabotage. This, however, reflects the preference in Venezuela that has been to get around supply and production problems by establishing alternative sources, rather than transferring control of private production to the state or community.

The visits to the ESPs clarified many issues that had arisen from reading the CES documents. Nonetheless, inevitably, there were important issues insufficiently addressed in the establishment of this new system. A summary of several such problems and contradictions within the CES appears below. The material is organised into the following sections: the objectives of CES; production and productivity; remuneration; management and responsibility; planning and prices; the bank and money.

3.1. *The Objectives of Communal Economic System*

To begin with a broad question: is the main objective of CES to promote production for use? Is it to generate employment and empowerment? Is it to incorporate socialist relations in the Venezuelan economy? Is it to compete with the capitalist sector? While all of these motivations are valuable, they are not entirely complementary. If it is the latter, how can this be achieved? Is it possible to raise productivity and efficiency in the CES to surpass and supplant the private sector, whilst simultaneously meeting the real and unsatisfied needs of the Venezuelan working class? How can human beings be placed at the centre of production within the CES? The capitalist sector—with its intense ideological emphasis on private self-interest—will continually aim to undermine the capacity to create a culture and infrastructure for community production.

What, therefore, is the relationship of CES to the private sector? The VMCE document *Antimanual of the Communal Economic System* (subsequently referred to as *Antimanual*)²⁹ states as an aim: “Formulate policies to stimulate socio-productive activities, as well as employment of idle installed capacity, and new community projects, mixed and of private small and medium enterprises.”³⁰ Likewise, the *Homeland Programme* states: “Develop an incentive system to promote small and medium private enterprises and mixed enterprises” (Republica Bolivariana de Venezuela 2012b, 19). Is the creation of private enterprises, small or otherwise, consistent with the objectives of CES? If the enterprises are “mixed,” what are they mixed with and how? How can the government, the national plan, and the CES integrate and control the private sector? According to the VMCE directors, there are *no* plans to create such enterprises under the CES. However, the question remains central for the economy in general and for the proposals contained the *Homeland Programme*. There is also the challenge of introducing “self-management” or “self-government” in the non-private sector in a society and culture saturated by capitalist values and simmering with class struggle.

The need to create new concepts and terminology in the construction of a new society cannot be underestimated. For example, the *Homeland Programme* proposes to:

Generate mechanisms for the circulation of capital, that constitute a new economic metabolism for stimulating the functioning and the development of national industry, as much in sources of finance and the dynamics of productive scale, as in the flow of resources that confront the logic of capital. (Republica Bolivariana de Venezuela 2012b, 30)

²⁹The term “Anti-manual” is inspired by the Venezuelan philosopher Ludovico Silva, who wrote the “*Anti-manual para uso de marxistas, marxólogos y marxianos*” (Anti-manual for the use of Marxists, Marxologists and Marxianos) in 1975, which called for a return of the essence of Marx’s philosophy, through reading his original works, rather than leaning on Soviet and other “Marxist” manuals.

³⁰On page 21 of *Antimanual of the Communal Economic System* (in Spanish), a document not formally published, which exists as an internal document of the VMCE in Caracas.

Circulating capital in order to confront the logic of capital?³¹ This apparent contradiction is because the first reference to “circulating capital” actually means making finance or funds available. This highlights the need for conceptual clarity and terminological precision. Part of the ongoing debate must concern the search for a terminology, which more appropriately expresses the characteristics of a society in transition to socialism. Additional questions follow: Where are the “funds” which must circulate to come from? Who controls, budgets and plans that funding? What is the relationship of the banks and the plan to this objective?

3.2. Production and Productivity

The *Homeland Programme* and the CES documents barely mention productivity or detail the type of production to be promoted, how it should be organised and by whom. The *Homeland Programme* contains impressive plans for increasing output in agriculture and industry, but is not clear about who controls production: the private, cooperative, state, or communal sector, and who benefits from that production.

The CES documents are concerned about the generation of “surpluses.” These are not referred to as “profits” (*ganacias*), but “surpluses” (*excedentes*). The distinction is important; “profit” implies private expropriation of social wealth, while a “surplus” is more neutral and in this case it indicates an additional social good. Nonetheless, the “surplus” referred to in the CES is monetary—to be divided into three funds owned by the community. How can a “surplus” be obtained after discounting the costs of production within the CES without simply raising prices (playing the market) to the detriment of the community? Again the answer lies in raising productivity. However, in the short term this approach might undermine the important objective of providing employment and empowerment for a historically economically disenfranchised section of the population.

The production of a surplus receives greater emphasis in the documents than the production of goods for which there is social need. The document *Proposal for a New Financial Architecture for the Economic Communal System* (subsequently referred to as *Architecture*) states: “We start from the principle that every production process results in a surplus, and that this surplus is not only a result, but it is a condition of existence of the production process itself.”³² There are practical and ideological problems with this statement. First, only 10% of the ESPs actually produce a monetary surplus. Second, under socialism production is freed from the imperative of the profit motive: enterprises can be allowed to operate at a commercial “loss” for political reasons, since production is organised through a state budget and subject to a (socially rational) plan. The goods are produced to serve a social function. In fact, the document *Organic Law of the Communal Economic System* (subsequently referred to as *Organic Law*), says: “Prioritise people and work as a social fact, over capital in order to ensure integral human development” (Republica Bolivariana de Venezuela 2010, 13). In practice, the CES seems to function under this second principle.

The productive units within the CES are initially allocated a start-up fund from the government’s Fund for the Development of Microenterprises (FONDEMI, *Fondo del Desarrollo de la Microempresa*). Finance provided by FONDEMI is divided into “returnable” and “non-returnable” (infrastructure, machinery and primary materials) portions. The credit covers the first three

³¹In his most scathing criticism of Soviet political economy, Guevara complained: “All the residues of capitalism are used to the maximum in order to eliminate capitalism. Dialectics is a science not some joke. No one scientifically explains this contradiction” (Guevara 2006, 188).

³²On page 1 of *Proposal for a New Financial Architecture for the Economic Communal System* (in Spanish), a document not formally published, which exists as an internal document of the VMCE in Caracas.

months of the enterprises' costs, but this part should start being repaid after the first six months in 60 equal instalments at 0% interest. Repayments form part of the ESP costs, which will obviously reduce any possible surplus until the credit is repaid. The *Antimanual* states that socio-productive organisations not generating a surplus should nonetheless allocate 6% of their total income to pay into the three funds: productive maintenance, attention to the producers and social reinvestment, which results in an increased deficit.³³ How will this deficit be reduced and how can enterprises be safeguarded from bankruptcy?

3.3. Remuneration and Salaries

Because under capitalist social relations, a "salary" is viewed as payment for labour power, workers in the CES are referred to as receiving "remuneration" for their labour. The remuneration they receive is a monetary payment, the national minimum wage. Additional food stamps or tokens raise the value by 32%. However, ESPs are now permitted to lower or raise that remuneration level. They also benefit from receipt of the "social good" produced; for example, receiving a new home under the Housing Mission. The institutional representatives in the "indirect" ESPs, however, receive remuneration commensurate with the salary scale at the institution they represent. What is the impact on the incentive structure and productivity of these standard rates and differentials?³⁴

The relevant documents contain significant discrepancies about wages in the communal sector. *Organic Law* and *Official Gazette* state that workers: "Receive a fair remuneration for work carried out, according to its quality and quantity" (Republica Bolivariana de Venezuela 2010, 18; 2012a, 391, 181), that is, socialist distribution (which Marx referred to as a "bourgeois right"). The *Antimanual*, however, states that "the quota [remuneration] will be established according to the particular needs of family groups" and "in no way should it be fixed in relation to the results of *individual production*."³⁵ This proposal echoes Marx's dictum for communism: "From each according to his ability, to each according to his need." It implies leaping over the socialist transition period. Conditions for introducing communist distribution clearly do not exist in Venezuela; there is neither the material abundance nor the new consciousness to make rationing of the social product, through a market mechanism, unnecessary. Venezuela remains dominated by capitalist social relations. Nonetheless, the importance of monetary salaries/remuneration diminishes with the increase in free state welfare and other provisions. This is evident in Cuba, where monetary salaries are very low, but the standard of living (from a human development not a consumerist perspective) is relatively high.

3.4. Management and Responsibility

Workers in the socio-productive enterprises are elected by the Citizens' Assemblies of the community where they are located. The ESPs have several "units" or "committees" to which three "spokespersons" are subsequently elected on a rotating basis by the Assembly of Producers. A three-person Administrative Unit is ultimately responsible. In the case of "indirect" ESPs, this

³³On page 78 of *Antimanual of the Communal Economic System* (in Spanish), a document not formally published, which exists as an internal document of the VMCE in Caracas.

³⁴In 1964, the new salary scale which Guevara worked on in Cuba, introduced 24 different salary levels. This was a reduction from "some 90,000 different salaries in Cuba and some 25,000 different salary grades" (Guevara 1977b, 164). The payroll was based on skill and output norms (averages), laboriously calculated throughout the national economy and it promoted training (Yaffe 2009, 95–99).

³⁵On page 62–63 of *Antimanual of the Communal Economic System* (in Spanish), a document not formally published, which exists as an internal document of the VMCE in Caracas.

is constituted by two “institutional spokespersons,” one representing the public institution responsible and the other representing FONDEMI, the funding institution. Every six months they must submit reports to the community and state authorities. The third person is elected by the Assembly of Producers. This arrangement provides the government with a mechanism for guiding, monitoring and evaluating the progress of the ESP as two out of three members of the Administrative Unit represent government institutions. Both the public institution and FONDEMI representatives are local people, not outsiders. In “direct” ESPs, however, all three delegates on the Administrative Unit are directly selected by the Assembly of Producers. In a situation where a significant proportion of the Venezuelan population vote against the Bolivarian government, the absence of an administrative lever of control at this grassroots level could become an obstacle to the objectives of the CES.

The other three ESP “units” are for productive management, training and social control. The unit of “social control” (*contraloría social*) is responsible for: “supervising, controlling, monitoring, oversight and auditing the implementation of plans and projects for the socio-productive organisation and its internal funds”; “to produce reports on activities undertaken”; to be “publicly accountable” and “to convene extraordinary meetings of the socio-productive organisation, when it deems this appropriate to improve the performance of its functions.”³⁶ The question which Guevara constantly raised and addressed is: who supervises the supervisors?

What measures can be taken to ensure that the interests of the ESP coincide with the national plan and development strategy? Guevara argued for political cadre to act as the “ideological motor” of society and the economy. No similar role has been assigned to Venezuela’s PSUV. Different entities of the social economy are organised through Public Power (state and public institutions) or Popular Power (grassroots and community groups). What are the advantages/disadvantages of each organisational form and how do they interact between them?

There is currently no mechanism for ensuring that workers trained through the CES are obliged to “pay back” the community or the state, via future commitment, for training received. Effectively there is nothing stopping individuals who have benefited from such a social investment from incorporating themselves into the private sector, in search of higher wages or better conditions.

3.5. Planning and Prices

Chavez called for a systematic plan to ensure that socio-productive projects or entities are linked in a network “that extends like a giant cobweb covering the territory,” rather than being isolated, “if not, it would be doomed to failure; it would be absorbed by the old [capitalist] system” (2012, 16). The challenge for the VMCE, however, is to ensure that the CES develops not just as a network, but as an integrated system. Otherwise, as Chavez also warned, “we could be doing good things, but not exactly what is necessary to progressively and decisively leave behind the capitalist model of exploitation, creating a new model: of Bolivarian, Venezuelan socialism, for the 21st century” (13). Creating an integrated system involves implementing unifying regulations and procedures, but it also implies incorporating CES production and services into a national plan. There is little evidence that advanced computing and statistical analysis, techniques which Guevara aspired to incorporate into the BFS, are being applied to find optimum outcomes in planning, production and distribution terms. To date the CES enterprises are small,

³⁶On page 55 of *Antimanual of the Communal Economic System* (in Spanish), a document not formally published, which exists as an internal document of the VMCE in Caracas.

complementary socio-productive units, but with the system's expansion regulations may be needed to prevent competition developing between different ESPs.

Guevara argued that once a plan has been formulated, through democratic discussion and economic analysis, administrative controls were necessary to guarantee its implementation (Yaffé 2009, 100–130). There is a need to devise such methods within the CES, and to provide a lever of control over the private sector if its output is to be incorporated within the national plan. How can this be achieved with a private sector that evades plans and avoids cooperation? The plan will have the dual function of incorporating the economic contribution of the private sector and planning its control and transformation in the transition to a socialist economy.

The problem of establishing prices under socialist production remains unsolved. Under the CES, price is mainly determined by the cost of inputs.³⁷ As a result, given the dependence on (domestic and international) capitalist production, prices are determined by market forces. The development of the full chain of production in the CES, removing dependence on the capitalist sector for inputs, introduces the possibility of setting prices in accordance with political objectives. However, establishing prices in an administrative way in relation to costs could lead to a divergence with the (national and international) market price, resulting in CES products being more expensive (and therefore less desirable) than products in the capitalist sector, including imports. These are complex but important problems to be addressed.

3.6. *Banks and (Communal) Money*

Lenin (1917) famously stated that: “Without big banks socialism would be impossible . . . A single State Bank, the biggest of the big . . . will constitute as much as nine-tenths of the socialist apparatus.” As president of the National Bank of Cuba, Guevara presided over the nationalisation of all banks and financial institutions, leaving Cuba with one state monopoly bank. For Guevara in 1960 this decisive action would “effectively guarantee that the Agrarian Reform and the great aspirations to industrialise the country won’t suffer from any kind of sabotage or obstacles from within the country” (Guevara 1977a, 216). Because the Venezuelan banking system is predominantly in private hands, FONDEMI was set up by the government to avoid linking the new socio-productive units to privately owned banks. However, the Communal Banks, which hold ESP funds and surpluses, are dependent on the Central Bank, an autonomous institution operating in accordance with state laws, but employing functionaries who are hostile to the Bolivarian government. This implies political risks that must be managed.

Combating inflationary demands for pay rises in 1962, Guevara pointed out: “What is money if not a commodity that serves to acquire other commodities?” (Ministerio de Azucar 1966, 203). The VMCE document *Architecture* promotes the development of “communal money.” While the desire to distance producers from the US dollar and the depreciating Venezuelan bolivar are understandable, the promotion of an alternative “communal” currency risks “fetishising” the money commodity, rather than subverting it. It does not address the fundamental structural questions about the nature of money in a capitalist society and the issue of control of production, exchange and accumulation.

Currently, the communal money only functions within the Solidarity Exchange Groups, which are goods markets for small agricultural producers. Most of the markets operate a goods barter exchange, in which “prosumers” (a term for producers who are also consumers) negotiate

³⁷On page 49 of *Antimanual of the Communal Economic System* (in Spanish), a document not formally published, which exists as an internal document of the VMCE in Caracas.

an equivalent value for their produce—say three bananas for one avocado. In just three of the 14 Solidarity Exchange Groups, communal money has been introduced apparently to “facilitate” the exchange process. This is a bit like an experiment to re-enact the historical process through which the money commodity originally emerged. The communities themselves name, design and produce their own currency and bring the paper notes to the market to use in exchanges with similar producers with different communal monies. A bureaucratic arbitration process is needed to establish the ratio of equivalence between the monies and goods. Although I did not have the opportunity to visit an Exchange Group operating with “communal money,” I did participate in one based on simple barter. Against a backdrop of music and dancing, at the flat peak of the mountain, which hosts *Barrio 23 de Enero* in Caracas, I discovered that the whole experience was more a cultural (and political) celebration, than a “market.” The rural representatives, some of whom had travelled over night to Caracas, were not concerned with material gain or finding outlets for their produce. They participated for the sociability and solidarity. Political emphasis was given to the importance of organic production and against the imposition of transgenics by multinational agribusinesses.

Architecture, however, contains a more complex and expanded vision for the use of communal money under the CES. The “main functions” proposed are: (1) operate as a compensation system to facilitate the exchange of inputs between production units; (2) remuneration of a portion of the foodstuff goods from the basic basket; (3) fixed income assets for the recognition of labour liabilities; (4) medium of internal exchange in the communes; and (5) a value reserve. The document states that “The relationship of equivalence between the bolivar and the communal money will be one to one.”³⁸

How could the communal money serve to undermine commodity relations (which are expressed by money)? Who would benefit from the system? The document also asserts that, “it should be a similar compensation scheme to that which functions in the SUCRE.”³⁹ The comparison is not convincing. The SUCRE and other regional payment schemes reduce the transaction costs and political risks otherwise involved in transacting currencies into US dollars and euros to facilitate trade between countries with different legal tenders. The proposed “communal money,” however, creates nominally new “monies” and then adopts a system of exchange for them.

More convincing is the proposal that “one part of the producers remuneration is denominated in communal money, for purchasing foodstuffs and products in the basic basket which are part of the productive activity of their own commune.”⁴⁰ In this sense it would serve as a kind of “certificate” received by workers in exchange for their labour, as Marx envisaged for a communist society emerging from capitalist society, rather than “money” which can be used as capital. This would promote communal production, still constrained by bourgeois “equal right” (Marx 1875, 11).

Guevara asserted, money reflects the relations of production and cannot exist without a society based on commodity production (Guevara 1971a, 298). His BFS relegated the role of money to “money of account,” a price reflection of an enterprise’s performance, not as means of payment or as a form of financial compulsion. The administrative levers Guevara adopted

³⁸On page 4 of *Proposal for a New Financial Architecture for the Economic Communal System* (in Spanish), a document not formally published, which exists as an internal document of the VMCE in Caracas.

³⁹SUCRE (Unique System for Regional Compensation) is a virtual currency or shared accounting unit for trade between member states of the Bolivarian Alliance for the Americas, or ALBA. It was set up in 2010 and has been pioneered by Venezuela, Cuba, Ecuador and Bolivia.

⁴⁰On page 4 of *Proposal for a New Financial Architecture for the Economic Communal System* (in Spanish), a document not formally published, which exists as an internal document of the VMCE in Caracas.

could serve as more useful tools than communal money for promoting production and productivity in the CES.

4. Conclusion

In 2005, Chavez declared that the Bolivarian Revolution was building socialism for the 21st century. Almost a decade later, however, the economy remains dominated by a parasitic capitalist sector, which obstructs all efforts to build alternative socio-productive relations. In avoiding a head-on confrontation with the bourgeoisie, the government is experimenting with the introduction of a parallel communal economy in which the social product is communally owned and invested on improvements to the habitat and wellbeing of the poor Venezuelan majority. This explains the strategic importance of the CES, as the principal vehicle for the introduction of socialist relations of production in the Venezuelan economy. The objective of this communal production is as much political and cultural as economic. However, arguably, the potential development of the socio-productive units into a comprehensive system, rather than a “network” of associated entities, is obstructed by machinations from the capitalist sector. Private interests exploit the dependence of the ESPs on goods and services under their control to manipulate supply and prices. Some sectors within the Bolivarian movement argue that greater political action must be taken to prevent economic sabotage and undermine the power of the Venezuelan bourgeoisie.

Among those arguing in favour of greater state/social ownership and centralised control over imports and exports, there is an interest in Cuba’s socialist revolution and in Guevara’s BFS. While Guevara’s methodological and theoretical approach to the political economy of the transition to socialism can serve as a guide to action, in Venezuela their potential is blunted by the lack of state control over the economy and socialisation of the means of production. Guevara argued for Cuba to be considered as “one big factory,” in which production is planned and organised according to social rationality, or need, not through market mechanisms. Ultimately, in Venezuela the first step would be to take measures that transfer control of the means of production from the private to the social/communal sector. The aim should not be to build a parallel socialist economy, but an alternative socialist economy in Venezuela. There is a great deal at stake, not just in Venezuela, but throughout Latin America and the world. This process merits careful observation and analysis.

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